

December 6, 2002

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Update

This afternoon the Governor released a list of proposed State budget cuts that would, if adopted by the Legislature, reduce the State budget gap by \$10.2 billion. Some \$3.4 billion is from the current year budget and the balance of \$6.8 billion would come from the 2003-04 budget year. Administration officials declined to provide their estimate of the budget shortfall, other than to indicate that they believe it will be higher than the \$21 billion estimate of the Legislative Analyst. They did report that revenue collections year-to-date and for the prior year are about \$1.8 billion less than anticipated.

The major elements of the proposed \$10.2 billion reduction include:

- \$1.74 billion from K-12 education, including a 3.66% across the board reduction in local assistance programs (as well as specific cuts in some programs) and \$135 million from Community Colleges;

- \$1.0 billion from suspending the transfer of sales tax dollars to the Transportation Investment Fund required by Proposition 51 just approved by voters;
- \$870 million from deferring reimbursement of K-14 education mandates;
- \$769.4 million from again deferring mandate reimbursement to local governments;
- \$500 million from indefinitely deferring a payment to the State Teachers' Retirement Fund for supplemental benefits;
- \$500 million from forgiving repayment of a loan to the general fund from the Transportation Congestion Relief Fund;
- \$500 million from transferring to the State any balances in Community Development Agencies' Low and Moderate Income Housing Funds;
- \$470 million from reducing State employee compensation, yet to be negotiated;
- \$329 million from suspending the June 2003 and January 2004 cost-of-living adjustments for supplemental security income/state supplementary payment recipients;
- \$320.8 million from State operations, yet to be specified;
- \$201.8 million from Medi-Cal, including \$90.3 million from a 10% reduction in provider rates on April 1, 2003, \$63.2 million from eliminating certain optional benefits (dental, medical supplies, podiatry, acupuncture, chiropractic, psychology, and independent rehab centers, and occupational therapy), \$5 million from reinstating quarterly reporting on April 1, 2003, and \$6.2 million from rescinding 1931(b) eligibility expansion;
- \$100 million from a transfer of Transportation Congestion Relief Funds to the general fund; and
- \$98.8 million from eliminating CalWORKs Stage 3 child care on April 1, 2003.

Some of the programmatic cuts of concern to the County include:

SB90 Reimbursement: Deferral of State reimbursements will cost the County an estimated \$35 to \$40 million dollars in the County's FY 03-04 budget;

Medi-Cal Reductions: The initial estimate is that the 10% across-the-board provider rate reduction will cost the Department of Health Services \$30-35 million annually. In addition,

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the reinstatement of quarterly reporting and the rescinding of the 1931(b) expansion will increase the number of low-income, uninsured for whom counties are the provider of last resort. Finally, the elimination of psychology as an optional covered service will impact the Department of Mental Health;

State Highway Account: a \$90 million reduction in the Local Street and Road Fund may impact the Department of Public Works;

Stage 3 Child Care: elimination will result in some former CalWORKs recipients, who quit work due to the loss of child care, returning to the program;

State Trial Court Funding: a \$50 million reversion in local assistance to counties for trial court operations, as well as an additional \$200 million unallocated reduction in the budget year is proposed;

Mental Health Managed Care: a 10% provider rate reduction is proposed, effective April 1, 2003, will impact the Department of Mental Health and its providers;

CalWORKs COLA: the scheduled October 2003 cost of living increase would be eliminated, even though it results in no net savings for the State;

Public Library Fund: a \$15.8 million reduction in grants to local libraries will result in a loss of \$1.6 million for the County Library system;

Arts Council: a reversion of \$1 million of local grant money may impact the Arts Commission;

Flood Control: \$58.1 million of Local Flood Control Subventions are proposed for reversion to the general fund, potentially impacting LACDA;

Homeless Shelters: funding for operations would be cut \$1.3 million.

As further details of the proposals and their impact on the County become known, we will keep you advised.

The Legislature will convene in special session on Monday, December 9, 2002. In responding to a question at the press conference, the Commissioner of Finance indicated that the Governor expected the Legislature to act on these recommendations no later than the end of January to achieve the level of savings estimated in the current year.

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Senator Romero Plans to Reintroduce Alcohol Fee Bill

On Thursday, December 12, 2002 at 10:30 a.m. Senator Gloria Romero will hold a press conference at White Memorial Hospital to announce her plans to reintroduce her alcohol fee bill. The bill passed the Senate last session but failed passage in the Assembly. Senator Romero has requested Board representation at the press conference.

We will continue to keep you advised.

DEJ:GK
MAL:JR:ib

Attachments

c: Executive Officer, Board of Supervisors
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 All Department Heads
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 City Managers Associations
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